

EXHIBIT 7

2:05-cr-121-DAE-RJJ - July 15, 2009

1

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF NEVADA

3 THE HON. DAVID A. EZRA, U.S. DISTRICT JUDGE, PRESIDING

4
5 UNITED STATES OF AMERICA,)

6 Plaintiff,)

7 vs.)

8 ROBERT DAVID KAHRE, et al.)

9 Defendants.)

Case No. 2:05-cr-121-DAE-RJJ

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14 REPORTER'S TRANSCRIPT OF JURY TRIAL

15 July 15, 2009

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19 APPEARANCES: (See page 2)

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24 Court Reporter: Andrea N. Martin, CRR, CCR No. 887

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1 **APPEARANCES:**

2 **For the Plaintiff:**

3 **J. GREGORY DAMM, ESQ.**
4 **Assistant United States Attorney**
5 333 Las Vegas Boulevard South
6 Suite 5000
7 Las Vegas, Nevada 89101
8 (702) 388-6336

9 **CHRISTOPHER J. MAIETTA, ESQ.**
10 **U.S. Department of Justice**
11 Tax Division
12 P. O. Box 972
13 Washington, D.C. 20044
14 (202) 514-4661

15 **For the Defendant Robert David Kahre:**

16 **WILLIAM A. COHAN, ESQ.**
17 **WILLIAM A. COHAN, P.C.**
18 P. O. Box 3448
19 Rancho Santa Fe, California 92067
20 (858) 832-1632

21 **For the Defendant Robert David Kahre:**
22 (Local counsel)

23 **LISA RASMUSSEN, ESQ.**
24 **LAW OFFICE OF LISA RASMUSSEN**
25 616 South 8th Street
Las Vegas, Nevada 89101
(702) 461-1436

26 **For the Defendant Alexander C. Loglia:**

27 **JOEL F. HANSEN, ESQ.**
28 415 South 6th Street
29 Las Vegas, Nevada 89101
30 (702) 385-5533

31 ***

32 ***

33 ***

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1 **APPEARANCES:**
2 (Continued.)

3 **For the Defendant Lori Kahre:**

4 **MICHAEL J. KENNEDY, ESQ.**
5 First Assistant Federal Defender
6 411 East Bonnevillle Street
Suite 250
Las Vegas, Nevada 89101
(702) 388-6577

7 **For the Defendant Danille Cline:**

8 **LYNN E. PANAGAKOS, ESQ.**
9 345 Queen Street
10 Honolulu, Hawaii 96813
(808) 521-3336

11 * * * * *

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1 MR. DAMM: No further questions, Your Honor. Thank
2 you.

3 THE COURT: Sir, you may step down.

4 MR. DAMM: We'd call Mr. Jorge Fernandez, your Honor.

5

6 JORGE FERNANDEZ,

7 Having been first duly sworn to testify to the truth,
8 the whole truth, and nothing but the truth, was examined and
9 testified as follows:

10

11 THE CLERK: Please be seated. Will you please state
12 your name for the record and spell your first and last name.

13 THE WITNESS: My name is Jorge Alfredo Fernandez. It's
14 J-O-R-G-E, last name is F-E-R-N-A-N-D-E-Z.

15 MR. DAMM: May I have the Court's indulgence for a
16 moment just for a little housekeeping?

17 THE COURT: Yes.

18 MR. DAMM: Get these things out of your way.

19 MR. KENNEDY: Your Honor, while we're doing a little
20 housekeeping, would this be a good time to do the stipulation
21 that we arrived at yesterday?

22 THE COURT: All right.

23 Ladies and gentlemen of the jury, yesterday we had some
24 documents, custom reports, the entire series is in with respect
25 to the companies, and those would be paper copies of the custom

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1 reports seized at the scene, and both of us have agreed to put
2 in the entire set.

3 Is that a correct statement?

4 MR. MAIETTA: That's correct.

5 MR. KENNEDY: Thank you so much. So you will have them
6 in the jury room.

7

8 DIRECT EXAMINATION

9 BY MR. DAMM:

10 Q. Good morning, Mr. Fernandez.

11 A. Good morning.

12 Q. How are you?

13 A. Pretty good. Thank you.

14 Q. Do you know Mr. Robert Kahre?

15 A. Yes, sir.

16 Q. How do you know Mr. Kahre?

17 A. Mr. Kahre and I have known each other since we were in
18 elementary school.

19 Q. And where did you go to elementary school?

20 A. Lincoln Elementary School.

21 Q. And where was that located?

22 A. North Las Vegas.

23 Q. And did you know Mr. Robert Kahre's sister at that time?

24 A. Yes. I knew Robert. I knew Lori and his mom Myra, his
25 brother John?

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1 Q. Now, did you -- after elementary school, did you go through
2 high school with Mr. Kahre?

3 A. Mr. Kahre and I went to elementary school, junior high
4 school, high school, junior college, and one year of college.

5 Q. And did you go to -- through school with his sister as well?

6 A. High school. She was younger.

7 Q. At some point in time did you go to work for Mr. Kahre?

8 A. After college, when I came home, I bounced around a few
9 jobs, and then Mr. Kahre offered me a job as a painter.

10 Q. And was he the owner of a company at that period of time?

11 A. Yeah. He was partners in a company called KHD.

12 Q. And he hired you as a painter?

13 A. Yes, sir.

14 Q. Did the name of that company later change?

15 A. Yes, sir.

16 Q. And what did it change to?

17 A. Wright Painting & Drywall.

18 Q. For what period of time were you a painter at either HKG or
19 Wright Painting & Drywall?

20 A. As an actual worker, pretty close to, I'd say, six -- six to
21 eight years.

22 Q. Did you get promoted at some point in time?

23 A. I was promoted to a foreman.

24 Q. And what were your duties and responsibilities as a foreman?

25 A. I ran jobs. I was assigned several jobs to be in charge of,

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1 There was a truck that was used for special mining, all kinds of
2 stuff like that --

3 Q. Mr. --

4 A. -- paint.

5 Q. I'm sorry?

6 A. Paint. There was a lot of paint that -- from overstock.

7 Q. Did Mr. Kahre store records there?

8 A. I -- I didn't see any records in that particular storage
9 area.

10 Q. Was there room for the storage of records there?

11 A. Yes.

12 MR. COHAN: Object to leading, your Honor.

13 THE COURT: The objection is sustained.

14 BY MR. DAMM:

15 Q. Can you tell us the size of the garage there?

16 A. It was big. You could drive a front-end loaders in there.

17 Q. Now, can you tell us the type of business that Mr. Kahre was
18 engaged in with Wright Painting & Drywall.

19 A. We did just about every kind of drywall hanging and painting
20 that we could get our hands on, commercial and residential,
21 whatever needed to be done.

22 Q. And who would -- who would you work for?

23 A. Lennar Homes -- I'm sorry, U.S. Homes, Greystone Homes,
24 Richmond America, anybody that we could get work from.

25 Q. Now, over time, did Mr. Kahre establish other businesses?

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1 A. Yes.

2 Q. And what other businesses did he establish?

3 A. HVAC, electrical, plumbing, and tile.

4 Q. And were there individuals that Mr. Kahre hired to run those
5 businesses?

6 A. Yes.

7 Q. Did he have foremen for those businesses?

8 A. They did.

9 Q. And supervisors?

10 A. Mainly the guy that ran the company was the supervisor.

11 Q. Now, you've indicated that when you first went to work for
12 Mr. Kahre, you were paid by check?

13 A. Yeah.

14 Q. And then you went to the gold and silver payroll system?

15 A. Yes, sir.

16 Q. Did Mr. Kahre offer this gold and payroll -- this gold and
17 silver payroll system to anyone else?

18 A. Anybody that wanted to do it.

19 Q. And do you know how those presentations were made?

20 A. If you worked for Wright Painting & Drywall, that was the
21 only way you were going to get paid. If you worked for any of
22 the other companies that he owned, that's the way you were going
23 to get paid. There was no other system.

24 Q. Now, were other contractors not associated with Mr. Kahre
25 invited to participate in this payroll system?

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1 A. Yes.

2 Q. How did that occur?

3 A. Mr. Kahre, at first, made some contacts with a couple of
4 companies, and then the guy named Phil -- I can't remember
5 Phil's last name. He was an accountant -- started introducing
6 him to more people. And after Phil passed away, John Greco was
7 the one that did a lot of that. At times, me, myself -- I tried
8 to get somebody -- if they wanted to join, I was offered a
9 percentage.

10 Q. Who offered you a percentage?

11 A. Mr. Kahre.

12 Q. And what would that percentage have been?

13 A. It depends how much the -- they had to pay as far as the
14 burden of taxes.

15 Q. Can you tell me how that -- how that worked? How would --
16 how would Mr. Kahre determine how much to charge another
17 contractor for handling that contractor's payroll?

18 MR. COHAN: Object: Lack of foundation at this point.

19 THE COURT: Overruled. He's testified he was involved
20 in this process.

21 THE WITNESS: He would -- the way Mr. Kahre explained
22 it to me, he would take whatever -- we called it the mock
23 factor -- whatever the burden of payment to the IRS was, and he
24 would reduce it by a percentage according to how much the
25 payroll was.

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1 BY MR. DAMM:

2 Q. Now what -- what did you call this factor?

3 A. Mock factor, you know, the -- the amount of burden that you
4 had to pay.

5 Q. So can you give me an example?

6 A. Say if you were a real big company and, you know, you
7 brought in a lot of money, you'd pay less as far as your
8 percentage of the taxes.

9 Q. So a large company would have a larger --

10 A. -- payroll.

11 Q. Would have a larger payroll but a smaller percentage of
12 taxes?

13 A. Yes.

14 Q. Now, if this contractor went to -- or participated in
15 Mr. Kahre's payroll system, what would Mr. Kahre do for the
16 contractor?

17 A. He'd break it in half or break it even less than half of
18 what his burden was, and he would be responsible for that part.

19 Q. And what would Mr. Kahre provide to the contractor in
20 return?

21 A. Insurance, you know. We -- we're in charge of -- anybody
22 would get hurt on their companies, we would take them to the
23 doctor. We would pay their compensation for being out of work,
24 all that stuff.

25 Q. Was that through the State industrial insurance system?

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1 A. No, unless somebody got seriously hurt and the ambulance got
2 there before one of the foremans or myself, we would take care
3 of them.

4 Q. And who instructed you to take care of these employees in
5 that way?

6 A. Mr. Kahre.

7 Q. Do you know who it was that actually handled the paperwork
8 for this cash payroll system for Mr. Kahre's companies?

9 A. I don't understand who --

10 Q. Was there a payroll office?

11 A. Oh, yes. It started with Micki, and then he passed it on to
12 his sister, Debra, and Heidi would be the ones.

13 Q. And would they also handle the payroll system for the other
14 contractors?

15 A. Yes.

16 Q. Do you recall who the largest other contractor/payroll
17 customer was at this time?

18 A. First Premier.

19 Q. And what was First Premier?

20 A. Painting and drywall company.

21 Q. Now, you mentioned a Mr. Phil Bracken?

22 A. That was his last name. I'm sorry. I couldn't remember.

23 Q. What role did he play in this system, if any?

24 A. He's the one that helped start this whole thing, getting
25 people involved to come run their payroll through. He was

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1 pretty much Mr. -- excuse me, Mr. Kahre's accountant.

2 Q. I'm sorry. Mr. Kahre's --

3 A. He was his accountant-type representative, you know, numbers
4 and stuff.

5 Q. Is -- and do you know where -- where this gold and silver
6 payment system originated, where it began?

7 A. I do not.

8 Q. Did Mr. Kahre, to your knowledge, look towards any specific
9 type of other contracting business that might be receptive to
10 his gold and silver payroll system?

11 A. Usually, people that were in trouble financially.

12 Q. And -- and why would Mr. Kahre, if you know, look for that
13 type of company?

14 A. In a way, he was -- I feel he was being innovative because
15 he took -- instead of just running one company, he had a bunch
16 of companies come together so he can bid the work -- more types
17 of work. So, like, for example, the VH -- the HVAC company. He
18 was being robbed by the guys who was working at, the other
19 partners he had with. He had all kinds of problems with the guy
20 writing checks, all kinds of bad things happening to him. So
21 Mr. Kahre approached him and said, "Hey, I'll help you out. You
22 come work for us."

23 And we took -- basically went over and cleared out the
24 warehouse and took all the things that belonged to Bill and put
25 it all in our warehouse and started an HVAC company.

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1 Q. And with respect to the other contractors that -- where
2 Mr. Kahre just would perform payroll services, did he look for
3 any particular type of companies?

4 A. Just every -- every company that he can get his hands on
5 that would benefit the conglomerate group of guys to bid for
6 bigger jobs.

7 Q. Now, was there an actual payroll office where individuals
8 were -- were paid that either worked for other contractors or
9 for Mr. Kahre?

10 A. Yes.

11 Q. And where was that payroll office?

12 A. It was -- we had one on Patrick. We had one on Boulder
13 Highway. We had one on Kimberly. It depends where offices
14 moved to.

15 Q. Did you assist in the building of those payroll offices?

16 A. Yes.

17 Q. Did you ever provide security services for Mr. Kahre?

18 A. I was the only one that provided security for many, many
19 years until we hired two extra guys when we went over to the
20 Kimberly office.

21 Q. And were you armed when you provided security?

22 A. Yes.

23 Q. And when the other two individuals were hired, were they
24 armed?

25 A. Yes.

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1 Q. And why was it that you needed security for Mr. Kahre's
2 contracting business?

3 A. Large amount of cash.

4 Q. When you say a "large amount of cash," how much are you
5 talking about?

6 A. Maybe \$300, \$400.

7 THE COURT: I mean --

8 THE WITNESS: -- thousand.

9 THE COURT: \$300 or \$400, I assumed.

10 THE WITNESS: Sorry. Thousand.

11 THE COURT: \$300,000 or \$400,000; is that right?

12 THE WITNESS: Yes, sir.

13 BY MR. DAMM:

14 Q. Can you tell me how the -- the payroll office would
15 run? How would individuals of other contractors get
16 paid?

17 A. If you were a large contractor, you would come in and you
18 would pick up the payroll for the whole company. You go to one
19 of the windows, and you would get your amount of gold that would
20 be equivalent to your payroll. And you would go to the next
21 window, return the gold, and then you would receive the
22 envelopes with the cash inside.

23 A lot of contractors would stay in there and go through
24 and make sure that every name and the amounts were correct.

25 If you were an individual, you would just come in,

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1 receive the gold, go to the next window, get your envelope.

2 Our statement to everyone was always the same: "If you
3 leave the inside of this office and then come back and say
4 you're short, too bad. You count your money before you leave."

5 Q. Now, why weren't workers just given gold and silver and
6 sent -- sent out the door?

7 A. They were given the same opportunity, and if they wanted to
8 keep it, they could keep it or they can trade it in.

9 Q. Now, if somebody came to pick up for a big contractor, how
10 would an individual worker pick up gold or silver?

11 A. He'd have to talk to his boss, make those prearranged.

12 Q. Did individuals regularly keep gold and silver?

13 A. Some did. Some people did. Every once in a while would
14 keep -- you know, buy -- buy some of it.

15 Q. What do you mean by that?

16 A. Well, you know, you trade -- you just -- you have to go from
17 this window to the other window. And in this window is where
18 you got your cash, and this is where you have to return the
19 amount of cash for whatever the silver value was at the time, or
20 gold, to retain it.

21 Q. Now, if you had a ten dollar bill, could you exchange the
22 ten dollar bill for ten silver dollars?

23 A. No. The exchange was -- well, whatever the exchange was in
24 the market. It wasn't a one-to-one value.

25 Q. And what about for gold?

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1 A. The same. It was whatever the gold was going at that rate
2 that they gave you the cash for.

3 Q. So Mr. -- Mr. Kahre wouldn't pay if -- if a -- if a worker
4 was owed \$800 for a week, he wouldn't get \$800 in gold coins?

5 A. He'd receive that in the one window.

6 THE COURT: I think he's asking you a different
7 question.

8 If a worker, say, was due \$1,000, he might get, as I
9 understand from your testimony, whatever the face -- not --
10 not -- whatever the market value of gold or silver coins would
11 be to equal \$800?

12 THE WITNESS: Correct.

13 THE COURT: He wouldn't get \$800 in face value of gold
14 or silver?

15 THE WITNESS: No.

16 THE COURT: Because that would be market value way in
17 excess of a thousand; right?

18 THE WITNESS: Yes, sir.

19 THE COURT: So I imagine if that happened, everybody
20 would run out the door with their gold or silver.

21 THE WITNESS: Yes, sir.

22 THE COURT: All right.

23 BY MR. DAMM:

24 Q. Now, when -- when you were hired to work for
25 Mr. Kahre, were you told anything about payroll -- or

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1 that the crew leader was actually the one who supervised the
2 workers who did the work --

3 **A.** The leader was, yeah.

4 **Q.** -- right? And as for the -- for example, First Premier, you
5 testified about them -- you knew they were probably about the
6 biggest drywall and painting company associated with Mr. Kahre;
7 isn't that right?

8 **A.** Yes, sir.

9 **Q.** And you understood that the payroll that was handled through
10 the gold and silver for the First Premier drywall people, for
11 example, Mr. Kahre -- nobody in Mr. Kahre's can supervise any of
12 those people; right?

13 **A.** None of them.

14 **Q.** Right. In other words, these companies, these 35 companies,
15 including First Premier -- they didn't get any workers from
16 Mr. Kahre. They already had their own workforce.

17 **A.** Correct.

18 **Q.** Okay. And they supervised their own people?

19 **A.** Yes.

20 **Q.** And they provided their own tools and training and so forth?

21 **A.** Yes, sir.

22 **Q.** Mr. Kahre just did the payroll service and provided the
23 insurance --

24 **A.** Yes.

25 **Q.** -- which you worked on, and actually you took care of paying

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1 hospital bills when people did get injured --

2 A. Yes, sir.

3 Q. -- and distributing that pay --

4 A. Yes.

5 Q. -- to people? Okay. Just one other area that I'd like to
6 inquire about.

7 You mentioned that Bobby Kahre gave you \$32,000 to buy
8 a house in Oregon?

9 A. Yes, sir.

10 Q. He didn't own the house after he gave it to you; did he?

11 A. No, not the -- not the house that I lived in. I did.

12 Q. Right. Didn't try to control you in any way?

13 A. (Shakes head.)

14 Q. As far as the house is concerned, you weren't the nominee
15 for Mr. Kahre; were you?

16 A. No.

17 THE COURT: Excuse me. Could I see counsel at sidebar
18 for a minute?

19 MR. COHAN: Certainly, your Honor.

20 (Discussion held at sidebar.)

21 (Proceedings held not transcribed as part of
22 excerpt.)

23 (Recess taken.)

24 (Proceedings held not transcribed as part of
25 excerpt.)